

# Market Alert

Thursday 28 April, 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6540	-0.0022
NZD/AUD	0.9186	-0.0049
NZD/JPY	83.95	-1.12
NZD/EUR	0.6196	-0.0089
NZD/GBP	0.5214	-0.0024
NZD/CNH	4.3097	0.0233
AUD/USD	0.7120	0.0015
AUD/EUR	0.6745	-0.0060
EUR/USD	1.0556	0.0117
USD/CNH	6.5899	0.0578
GBP/USD	1.2541	0.0018
EUR/GBP	0.8416	0.0081

  

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.10%
90 day bills	1.87%	0.53%
2 year swap	3.81%	2.75%
10 year Govt	3.60%	3.05%

## The Australian corner

The RBA has been gradually making room for itself to tighten in coming months, but the much higher-than-expected inflation print yesterday, means there is a good argument for 'front-loading' the hiking cycle.

Given that the headline numbers hit 2.1% on the quarter and 5.1% on the year, against forecasts of 1.7% and 4.6%. The number that is most relevant to the RBA, the trim mean, increased 1.4% and 3.7% against expectations of 1.2% and 3.4%. This saw a whole lot of 'I told you so'

comments from various banks, with the pick of them being:

*"Inflation pressures have momentum and have broadened."*

*"A cash rate target of 0.1% is inappropriate against this backdrop. The AUD's recent dip also makes more room for the RBA to hike more aggressively, and arguments for the 'front-loading' of policy make as much sense for Australia as they do for the United States."*

*"Australia's inflation dynamics have changed, the Q1 CPI shows the RBA has a (very) narrow window of opportunity to avoid a US-style inflation spiral. Federal election or not, it should act now."*

## The Chinese corner

The Chinese economy is stalling at an alarming pace, which has seen President Xi Jinping 'advise' officials to ensure that the country's economic growth outpaces the US's this year.

State TV have reported President Xi has told senior economic and financial officials that ensuring the "economy is stable and growing is important because it is critical to show that China's one-party system is a superior alternative to Western liberal democracy and that the US is declining both politically and economically." This will invariably see infrastructure construction stepped up to boost domestic demand and drive economic growth.

Ahead of tomorrow's US GDP release, the final Atlanta Fed Q1 GDP estimate

dropped from 1.3% to 0.4%, while Goldman Sachs took its forecast down to 1.3% from 1.5%. Meanwhile, pending US home sales declined 1.2% in March to their lowest since May 2020, following a revised 4.1% drop in February.

To make things worse, Deutsche Bank is forecasting a significant recession in the US with their most aggressive monetary tightening since the 1980s. "We assume conservatively that the Fed funds rate will move into the 5% to 6% range" while "the monetary-tightening process will be bolstered by Fed balance-sheet reduction, which our US economics team estimates will be equivalent to a couple additional 25 basis-point rate hikes."

Germany May GfK consumer sentiment plummeted to -26.5 in May, below the consensus of -16 following on from April's downwardly revised -15.7. Australian weekly consumer confidence fell to 96.5 from the prior week's 96.8.

In amongst the doom and gloom, equities flatlined after yesterday's carnage while the T-bond firmed up to the 2.82% level. But while equities are flagging further rate hikes, commodity markets are holding up rather well with the likes of copper, tin, nickel, and steel remaining relatively stable.

Although it is a different story with the USD, which broke above the 103 level for the first time since 2017, having rallied 2.35% over the last 4-trading sessions. This saw the NZD weaken 0.35% while the AUD flatlined.



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# Daily Rates

Thursday 28 April, 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.59					CAD	0.8386	0.9129
NZD/USD	0.6540	-0.0002	-0.0009	-0.0022	-0.0046	CHF	0.6339	0.6901
NZD/AUD	0.9186	-0.0007	-0.0024	-0.0049	-0.0079	CNY	4.2892	4.6696
NZD/JPY	83.95	-0.10	-0.42	-1.12	-2.75	DKK	4.6100	5.0186
NZD/EUR	0.6196	-0.0010	-0.0037	-0.0089	-0.0195	FJD	1.4104	1.5353
NZD/GBP	0.5214	0.0000	-0.0007	-0.0024	-0.0063	HKD	5.1308	5.5863
						KRW	828.86	902.32
AU TWI	62.90					MYR	2.8546	3.1046
AUD/USD	0.7120	0.0003	0.0009	0.0015	0.0012	NOK	6.1026	6.6442
AUD/NZD	1.0887	0.0008	0.0029	0.0059	0.0095	SEK	6.4392	7.0116
AUD/JPY	91.39	-0.04	-0.23	-0.73	-2.26	SGD	0.9032	0.9833
AUD/EUR	0.6745	-0.0006	-0.0023	-0.0060	-0.0154	TWD	19.24	20.94
AUD/GBP	0.5677	0.0003	0.0006	0.0004	-0.0020	ZAR	10.39	11.32
USD Index	102.99					<b>EQUITIES</b>		
EUR/USD	1.0556	0.0014	0.0048	0.0117	0.0265		<b>Index</b>	
USD/JPY	128.36	-0.12	-0.48	-1.29	-3.38	NZX50	11,726	
GBP/USD	1.2541	-0.0001	0.0003	0.0018	0.0066	ASX200	7,261	
EUR/GBP	0.8416	0.0011	0.0036	0.0081	0.0166	Dow Jones	33,240	
						S&P 500	4,181	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,426	
			<b>Mid</b>		<b>Mid</b>	DAX 30	13,794	
30 day bank bills			1.53%		0.09%	Nikkei	26,387	
90 day bank bills			1.87%		0.53%	<b>COMMODITIES</b>		
1 year swap			3.34%		2.02%		<b>USD</b>	
2 year swap			3.81%		2.75%	Brent Crude	105.19	
3 year swap			3.91%		2.97%	Gold	1,885.79	
5 year swap			3.92%		3.23%	Silver	23.28	
10 year swap			3.90%		3.42%	Iron Ore	137.00	
3 year Govt bond			3.45%		2.68%	CRB Index	322.16	
5 year Govt bond			3.53%		2.86%		<b>NZD</b>	
10 year Govt bond			3.62%		3.05%	NZ Carbon	75.75	

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